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September 20, 2006

VIA ELECTRONIC FILING

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20423-0001

Re: **Docket No. 42080**
Minnesota Northern Railroad, Inc. v.
Canadian National Railway Company

Dear Secretary Williams:

In its September 12, 2006 status letter in this proceeding, Minnesota Northern Railroad, Inc. ("MNN") indicated that "it has submitted a settlement proposal to CN that remains open," and that the Board should continue this proceeding for two years because "[i]t may be that traffic conditions will change in the near future such that CN will respond favorably to that proposal." Counsel for MNN has since confirmed that the "open" settlement proposal to which MNN refers are the two fourteen-month old MNN letters that CN attached to its own status report filed herein on September 11, 2006.

As CN discussed in its status report, MNN's April and May, 2005 letters did not offer to contribute to the capital expense of installing a mainline switch necessary for a CN-MNN interchange at Warroad, Minnesota or commit to the movement of traffic via such an interchange if established. Those were the plain requirements of the Board's March 18, 2005 decision in this matter, and the basis of the Board's direction that the parties "negotiate a reasonable arrangement for the reinstitution of interchange at Warroad, MN pursuant to the requirements of this decision" Decision at 6, 7.

Instead, MNN's 2005 letters asked CN to reconsider its prior position and to proceed with installation of a Warroad interchange notwithstanding the provisions of the Board's decision. In response to MNN's request, CN did in fact thoroughly review this matter again. That review provided no basis for proceeding without the contributions and commitments required by the Board's decision. While CN did not at the time formally convey its conclusion to MNN -- which has not pursued the matter during the intervening fourteen months -- CN has done so now. See Attachment A hereto.

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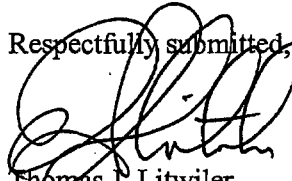
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MNN continues to seek from CN what it failed to obtain in the Board's 2005 decision. It would be unwarranted and unfair to hold this proceeding open simply to pressure CN to agree to an MNN position that the Board has already rejected. Yet that is precisely what MNN requests here. MNN Letter at 1 ("The pendency of this proceeding may stimulate CN's response in that respect [i.e., in agreeing to MNN's unchanged position].").

CN reiterates again here its willingness to work with MNN in the future to develop reasonable interchange arrangements at Warroad in accordance with 49 U.S.C. § 10742. If future "traffic conditions" warrant a reappraisal of the matter, the Board's decision remains in place to guide and govern any such discussions. There is no need or basis for further extending this proceeding, however, simply because such discussions might occur at some indeterminate time in the future.

I certify that a copy of this letter has been served by e-mail and first class mail, postage prepaid, on counsel for MNN.

Respectfully submitted,



Thomas J. Litwiler
Attorney for Canadian National
Railway Company

TJL:tl

Attachment

cc: Thomas F. McFarland, Esq.
Theodore K. Kalick, Esq.



ATTACHMENT A

Canadian National

Canadien National

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September 19, 2006

Mr. George LaPray
General Manager
Minnesota Northern Railroad, Inc.
P.O. Box 705
Crookston, MN 56716

RE: Warroad, Minnesota Interchange

Dear Mr. LaPray:

I am writing in regard to our discussion some sixteen months ago about potential interchange between Minnesota Northern and Canadian National at Warroad, Minnesota. I understand that, in recent correspondence to the U.S. Surface Transportation Board, MNN indicated that the subject matter of our earlier discussion, and of MNN's letters to CN dated April 12 and May 6, 2005, might remain open.

After receipt of your May 6, 2005 letter, CN conducted another thorough internal review of your desire to install interchange facilities at Warroad. In the continued absence by MNN of a commitment to significantly share the upfront capital expenditures for replacing the interchange switch at Warroad where MNN cannot assure that sufficient traffic would move via such interchange, it remains the case, as outlined by the STB's decision of March 18, 2005, that CN's installation of such interchange facilities is not feasible or justified.

If future traffic conditions were to ever cause MNN to re-evaluate its position regarding this project, CN would of course remain more than willing to resume discussions and attempt to develop a mutually satisfactory arrangement.

Mr. George LaPray
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Please feel free to contact me if you have any further questions regarding this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'F. Hébert', written in a cursive style.

François C. Hébert
Vice-President
Network Strategies

cc: Mr. Theodore K. Kalick